**NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

**CABINET – TUESDAY, 5 FEBRUARY 2019**

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|---|---|
| Title of report | **2019 – 2024 MEDIUM TERM FINANCIAL STRATEGY** |
| Key Decision | a) Financial Yes<br>b) Community Yes |
| Contacts | Councillor Nick Rushton<br>01530 412059<br>nicholas.rushton@nwleicestershire.gov.uk<br><br>Strategic Director of Housing and Customer Services<br>01530 454819<br>glyn.jones@nwleicestershire.gov.uk<br><br>Head of Finance and S151 Officer<br>01530 454707<br>tracy.bingham@nwleicestershire.gov.uk |
| Purpose of report | To present members with the impact of modified assumptions within the council's Medium Term Financial Strategy and provide an update in respect of the Journey to Self Sufficiency Programme |
| Reason for decision | To keep members up to date in respect of the council's financial projections. |
| Council priorities | Value for Money |
| Implications: | |
| Financial/Staff | A review and revision of the assumptions used in the medium term financial plan and Housing Revenue Account business plan cash flow model upon drafting of the 2019/20 draft budget has resulted in a revised forecast financial position between 2019/20 - 2024. These are detailed in the report. |
| Link to relevant CAT | None. |
| Risk Management | There are a number of risks associated with the medium term financial plan as clearly future events cannot be accurately predicted and as a result the economic outlook can change quickly. In addition, a great deal of uncertainty remains in the local government sector around core funding. A risk and sensitivity analysis is included within this report. |
| Equalities Impact Screening | None. |

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|---|---|
| Human Rights<br><br>Transformational Government | None.<br><br>The report provides an update in respect of the Journey to Self-Sufficiency Programme. |
| Comments of Head of Paid Service | The report is satisfactory |
| Comments of Section 151 Officer | As report author, the report is satisfactory |
| Comments of Deputy Monitoring Officer | The report is satisfactory |
| Consultees | Corporate Leadership Team 21 November 2018<br>Strategy Group 27 November 2018<br>Cabinet 11 December 2018<br>Policy Development Group 9 January 2019 |
| Background papers | Medium Term Financial Strategy Cabinet 6 Feb<br>Medium Term Financial Council 27 Feb<br>Provisional Outturn Cabinet 12 June |
| Recommendations | **IT IS RECOMMENDED THAT CABINET APPROVE THE MEDIUM TERM FINANCIAL STRATEGY** |

## 1.0 BACKGROUND

1.1 In December 2018, members were presented with a report that outlined the current financial issues facing the council to be addressed through the development of a revised Medium Term Financial Strategy (MTFS). This paper was then subsequently presented to the Policy and Development Group on 9 January. An extract from the draft minutes of the PDG can be found in Appendix H.

1.2 The Medium Term Financial Strategy 2019-2023, included in Appendix A, presents a high level, 5 year assessment of the financial resources required to deliver the Council's strategic priorities and essential services over this period in respect of both the revenue and capital plans of the General Fund and Housing Revenue Account.

1.3 The strategy also promotes self-sufficiency to safeguard the Council's financial position against future central government funding changes. A new Self-Sufficiency reserve was created as part of the setting of the 2018/19 budget.

1.4 A review of the strategy's financial projections for the Council was undertaken in July 2018. The assumptions of both plans were reviewed in light of the financial outturn of the council for 2017/18, the Government's Spring Statement and other known information concerning the predictions around future income and expenditure, such as developments arising from the Fair Funding Review, the government's departmental Spending Review and progress on the development of the national 75% Business Rate Retention System.

1.5 This report details the revised financial projections for the Council based on the forecast outturn for the 2018/19 financial year, the budgeted position for 2019/20, the Budget statement (announced by the Chancellor of the Exchequer on 29 October), the provisional finance settlement as announced on the 13 December 2018 and other known factors around the Fair Funding Review and Business Rates System as outlined in 1.4 above.

## 2.0 GENERAL FUND MEDIUM TERM FINANCIAL PLAN

### 2018/19 Forecast Outturn

2.1 The forecast position on the General Fund for 2018/19 is a surplus for the year of £1.1m, compared to a budgeted surplus of £299k. A number of favourable movements have contributed to this position including an increase in the anticipated level of business rates (£190k) and salary savings. Full details of the main variances to Quarter 2 can be found in the Quarter 2 Performance Management Report presented to Cabinet on the 11 December 2018. A full update in respect of further variances will be presented as part of the forthcoming Quarter 3 report due to be presented in April 2019.

2.2 In line with the decisions made by council at its meeting on 27 February 2018, the budgeted surplus of £299k and any additional surpluses achieved will be transferred to the self-sufficiency reserve.

### Medium Term Financial Plan - Projections as at July 2018

2.3 The projected deficit arising between 2018/19 and 2022/23, as last reported to members in July 2018 totalled £4.576m. To summarise this position, the following table details the projected financial position over the period:

| | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **TOTAL** |
|---|---|---|---|---|---|---|
| Surplus/(Deficit) | 298 | 366 | (1,301) | (1,662) | (2,278) | **(4,576)** |

### Review of Assumptions

2.4 Appendix B includes a list of the original assumptions included in the MTFS and details of assumptions that have been revised.

### Fair Funding Review

2.5 The fair funding review, which will set new baseline funding allocation for all local authorities by delivering an up-to-date assessment of their relative needs and resources remains underway. Consultation was undertaken between December 2017 and March 2018 to assist in the development of a new formula for determining funding allocations from 2020/21 onwards. As was the case in July 2018, the government is yet to publish its response to consultation feedback. These funding allocations were last reviewed in 2013/14.

**Budget Announcement and the Draft Local Government Finance Settlement**

2.6 On 29 October 2018 the Chancellor of the Exchequer delivered the Autumn Budget. There were a number of announcements made that will affect the Council's financial position including additional business rate reliefs for retailers and additional 'Future High Streets Fund' for Local Authorities to bid for to support town centre transformation.

2.7 The provisional local government finance settlement was announced on 13 December 2018 and confirmed the level of New Homes Bonus, Revenue Support Grant and the tariff and levy charges against business rates to be retained by the Council. The settlement also included the successful outcome of the Leicestershire-wide bid to become a Business Rate pilot in 2019/20.

2.8 The Budget announcement around the government's forecast in respect of CPI has been built into the revised assumptions.

2.9 The district has a number of key sectors that may be impacted by Brexit through the movement of goods or people: Logistics, Aviation, Hospitality, Manufacturing and Aggregates. Equally the District is also home to a number of foreign owned businesses and European Headquarters for global firms whose future is less certain in light of the EU exit. Through ongoing engagement with businesses via the Council's Economic Development team, there hasn't been any defined thought or movement from businesses to Brexit. Whilst Brexit may poses a risk to the Council's Business Rate income, officers have been unable to quantify this risk. Additional budgetary provision of £10k has been set aside in the final General Fund budget for 2019/20 as a contingency for the Council in managing the impact of the UK's exist from the European Union.

**2019/20 Budget**

2.10 The Net Cost of Service for 2019/20 has been based on the General Fund Revenue budget and inflated for future years. Details in respect of the budgetary proposals for 2019/20 can be found in the General Fund Budget report on the same agenda as this paper.

2.11 The predicted surplus and contribution to General Fund reserves for 2019/20 is £160k. Subject to 2018/19 outturn, this surplus position will take the Self-Sufficiency Reserve from an estimated £3.9m at 31 March 2019 to £4m at 31 March 2020.

**Leisure**

2.12 Members will be aware that the decision to outsource the Council's Hermitage and Hood Park leisure centre facilities and creation of a new facility and subsequent closure of the Hermitage centre was approved by Council on 21 November 2017. The procurement exercise to secure an operator to manage the council's existing leisure centres and to build a new facility and subsequently close the Hermitage facility has now concluded with a preferred bidder selected. The full details of the procurement process and successful bidder can be found in a separate report on the agenda for Cabinet on 5 February 2019. The budgetary forecasts in relation to the cost of the leisure centres has been based on the contracted revenue costs associated with running the leisure centres until transfer date, the ongoing costs that will be incurred post outsourcing date (but that will cease later in the year or in the following year), and the anticipated reduction in corporate support overheads that will be achieved by reviewing the council's internal support functions. The council is required to make a management fee payment to the operator in the first three years of the contract before the arrangement transfers to one which the council benefits from a payment from the operator for the remainder of the contract. The management fee payable to the operator is included in the budget is now based on the preferred supplier.

**Business Rates**

2.13 Work in respect of the Business Rate Retention Scheme (BRRS) also continues. This review will implement the move from the 50% Business Rate Retention Scheme to that of 75% system from 2020/21.

2.14 The revised system will also implement the reset of the business rates baseline, which represents the anticipated level of business rates within a locality. This baseline is used within the existing 50% retention system to share business rates between local preceptors and the government. Income collected that is above this baseline tends to be as a result of growth in the local area and under the retention system, is shared on a basis that is more favourable to the council. There is not yet any detail regarding the date at which the baseline will be referenced against, however we do know that it will be implemented from 2020/21.

2.15 Work has been undertaken to assess the likely growth in business rates to the Council in consultation with the Revenues and Benefits and Business Focus teams. Assessing growth is a continuous exercise due to the fluidity of business growth and decline. Additionally, this team is also seeking to establish a methodology for identifying the risk exposure that businesses in North West Leicestershire face in the light of Brexit and EU trading changes and the resultant risk of loss in business rates for the council.

2.16 The version of the Medium Term Financial Plan presented to members in July assumed that a full business rates baseline reset would be implemented in 2020/21 at the 2018/19 level of rates due to the Council. This assumption has now been revised based on advice from our funding advisors Pixel to assume a partial reset (50%) from 2020/21 at the 2018/19 level of rates collected.

2.17 Other scenarios for the resetting of the business rates baseline include a full reset and/or reset at 2017/18 or 2019/20 level of rates collected. A full reset is less favourable to the council. Similarly rates being reset at the 2019/20 level would be less favourable as the reset would absorb more of the growth anticipated in 2019/20. An assessment of the sensitivity to likely other Business Rates baseline reset scenarios can be found in Appendix G.

**New Homes Bonus**

2.18 In the Government's September 2018 consultation on the Draft Local Government Finance Settlement, it was stated that 2019/20 represented the final year of New Homes Bonus funding agreed through the 2015 Spending Review. The Government stated that they would explore how to incentivise housing growth most effectively going forward and would consult on any proposed changes.

2.19 The Government had previously announced that it may increase the national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid. The provisional settlement confirmed that the baseline would be maintained at 0.4%.

2.20 Given the above and the threat that the loss of New Homes Bonus presents to the Council, the Medium Term Financial Plan has been revised to assume that the baseline will be increased to 0.6% and new bonus payments withdrawn from 2020 (effectively meaning that the council will continue to receive legacy payments based on past bonus awards until 2022/23.

2.21 Other scenarios for New Homes Bonus include the scheme being abolished entirely or the scheme remaining as is. An assessment of the sensitivity to such scenarios can be found in Appendix G.

**Council Tax**

2.22 The Council has frozen its share of council tax in 2018/19 and this is the ninth year of this policy. The cumulative loss of income as a result of this policy from 2010/11 to 2018/19 stands at £6.6m and the cumulative average saving to residents of £231.

2.23 The assumption for 2019/20 is that the Council's precept will not rise, taking the cumulative loss of income as a result of the policy to £8.5m and the cumulative average saving to residents to £286 over the ten years. The net income foregone by not increasing council tax for 2019/20 from its 2018/19 level is £168k.

2.24 In the plan presented to members in July 2018, it was assumed that the council tax freeze policy would remain in place for the foreseeable future. This assumptions has not changed.

2.25 Given the likely significant funding challenges, volatility and uncertainty faced by the Council from 2020, it is the recommendation of the Section 151 Officer that all current assumptions should be reviewed in July 2019 by Cabinet as part of the mid-year review of the Medium Term Financial Strategy, when further clarity will be available surrounding local government funding.

2.26 The impact of assuming a council tax precept freeze to 2024 is in the region of £1.8m, of foregone council tax income (given the current forecasts around growth as per below).

2.27 Growth projections in respect of the Council Tax Base remain consistent at 600 homes per annum.

2.28 A scenario to model the impact of deflated growth in the council tax base is included in Appendix G.

**Transitionary Measures**

2.29 A new assumption in respect of 'transition' has been included in the Medium Term Financial Plan as a result of the progress of the Fair Funding Review and Business Rates Retention working group.

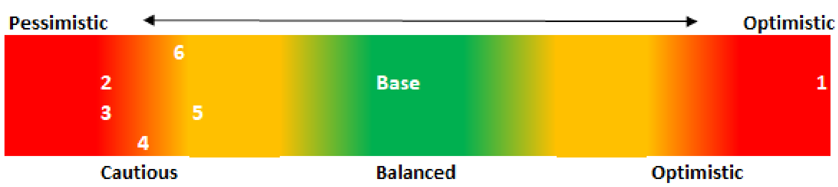
2.30 Transitionary funding (often referred to as 'damping') is likely to occur when a council suffers a loss of total resources above a certain level.

2.31 At this moment in time it is unclear on what that level may be. Based on advice received from our funding advisors Pixel, an assumption of -5% has been used in the Medium Term Financial Plan.

2.32 It is unlikely that the council will be compensated for any loss below the -5% that occurs as a result of its policy to freeze council tax. Transition funding has therefore been incorporated into the Medium Term Financial Plan (Appendix C) and the scenario analyses (Appendix G) at the level that could be received if the council's council tax precept had been increased from 2020 - 2024.

**Assessment of Assumptions and Sensitivity Analysis**

2.33 The below diagram and table illustrate the assessed reasonableness of assumptions used within the revised Medium Term Financial Plan alongside 6 other potential scenarios.




| Ref | NHB | Business Rates | Council Tax | Transition |
|---|---|---|---|---|
| Base | 0.4% Baseline; Legacy payments from 2020 | Partial Baseline Reset in 2020 @ 2018/19 rates level | 0% precept to 2024, growth 600 homes p.a | Yes, assumed when funding reduces by more than 5% |
| 1 | Baseline remains at 0.4% and scheme continues as is | as per Base | as per Base | |
| 2 | Baseline increased to 0.4% and abolished from 2020 | as per Base | as per Base | |
| 3 | as per Base | Full reset in 2020 based on 19/20 rates level | as per Base | |
| 4 | as per Base | Full reset in 2020 based on 18/19 rates level | as per Base | |
| 5 | as per Base | Full reset in 2020 based on 17/18 rates level | as per Base | |
| 6 | as per Base | as per Base | 0% precept increase to 2024, growth deflated at 400 homes | |

2.34 Contained within Appendix G are some further illustrative charts to show the impact of each of the scenarios listed in the table above and their impact on the specific funding stream.

**Medium Term Financial Plan – Revised Projections**

2.35 The projected deficit arising between 2019/20 and 2023/24 has now been assessed to be £5.2m over the five year period and can be found in the table below.

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---|---|---|---|---|---|---|
| Surplus/(Deficit) | 161 | 370 | -1029 | -2088 | -2613 | **- 5,199*** |

* Subject to rounding

2.36 Whilst the forecast deficit over the period is £5.2m, the anticipated balance of the Self-Sufficiency reserve as at March 2020 is £4m. The intention of this reserve is to cover the investment cost for initiatives that will earn the council a revenue return. However, the reserve can also be utilised to balance deficit years where necessary.

2.37 The revised medium term financial plan can be found in Appendix C.

**3.0 REVIEW OF HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN**

**2018/19 Forecast Outturn**

3.1 The forecast outturn position for the Housing Revenue Account for 2018/19 is a surplus of £3,308k being £362k higher than the approved budgeted surplus of £2,946k.

3.2 The additional surplus forecast for the year is as a result of a number of favourable and offsetting adverse variances. The most significant variances are savings in energy costs, partly as a result of an over accrual in 2017/18, savings in Council Tax as a result of fewer empty properties, together with additional income from rents, mainly as a result of increased void performance and additional income from interest on balances.

3.3 In line with the decisions made by council at its meeting on 27 February 2018, the surplus achieved for the year will be added to the HRA balance which stood at £9.384m at 31 March 2018. This balance represents £8.384m set aside within a loan redemption reserve for the purposes of repaying two maturity loans totalling £13m which fall due for repayment in March 2022 with the remaining £1m being retained as a minimum working balance for the HRA.

3.4 A copy of the five year extract of the HRA business plan cash flow can be found in Appendix D.

**2019/20 Budget**

3.5 The budget for 2019/20 is estimated to produce an operating surplus of £0.1m, after making a contribution of £1.3m to the debt repayment reserve and a RCCO contribution to the capital programme of £1.7m, which will take total estimated HRA balances at 31 March

2020 to £14.1m. The HRA working balance will be £1.1m and the remaining £13.0m will be held in the debt repayment reserve to repay the debt that matures in 2021/22.

3.6 See HRA Revenue Budget proposals for further details, which is a separate report on this agenda.

**HRA 30 year Business Plan Cash Flow – Previous July MTFS Projections**

3.7 The projected financial position contained within the MTFS showed that the HRA was able to fully fund its capital programme and meet loan commitments falling due over the five year period from 2018/19 to 2022/23.

3.8 Over the life of the business plan, a shortfall was shown to arise in 2041/42 of £1.3m followed by a further £32m by the end of the 30 year period in 2047/48. The total of these sums being £33.3m between 2041 and 2048. Given that this projected position is 25 years from being realised, financial forward planning in the intervening years will be required to address the shortfall, including consideration of refinancing at an appropriate time.

**Review of Assumptions**

3.9 Inflation forecasts have been updated and the projected increase in CPI in line with the government's Spring Statement has led to a significant increase in the income from housing rents. Costs are also projected to increase, although the overall impact on expenditure is less significant, bringing about additional net income from 2020/21.

3.10 The cash flow model updates in respect of right to buy sales and affordable properties brought onto the rent debit in 2018/19 and has resulted in a favourable movement on HRA cash balances due to the compound nature of accruals of additional rental income on these properties.

The 30 year capital programme cost projections for the HRA have been revised from £177m to £186m.

3.11 Appendix E includes a list of assumptions and review details.

**HRA 30 Year Business Plan Cash Flow – Revised Projections**

3.12 A shortfall first arises in 2041/42, which is £8.4m, followed by a further £40.8m by the end of the 30 year period to 2048/49. The total of these sums being £49.2m between 2041 and 2049.

3.13 After 2022, it is proposed that the council will not automatically use any surpluses to pay into a loan redemption reserve for the repayment of maturity loans that next become payable in 2037. This will allow the council more flexibility and the ability to use future surpluses to either invest in capital improvements, new housing stock, service improvements or repayment of debt. The existing annuity loans will of course continue to be repaid as originally intended when the council took on the self-financing debt and came out of the former HRA subsidy system. This decision was presented to members formally as part of the Treasury Management Strategy Statement for 2019/20 at Cabinet in December and will be presented to Council in February 2019.

3.14 The five year extract of the revised HRA Business Plan cash flow model can be found in Appendix F.

## 4.0 JOURNEY TO SELF-SUFFICIENCY PROGRAMME

4.1 As detailed in paragraph 2.35 above, the self-sufficiency reserve now stands at £2.76m and remains in line with the projections of the MTFS. There has been no expenditure against the reserve to date.

4.2 A Journey to Self-Sufficiency Programme Board has been established and 4 key work streams identified.

4.3 The portfolio holder for Finance will act as Cabinet sponsor for the programme and updates will be provided on a monthly basis at the portfolio holder briefing session. Formal updates on the progress of savings will be reported to Cabinet as part of the bi-annual review of the MTFS. As is the normal course of business, any strategies or initiatives will be presented to Policy Development Group prior to Cabinet approval.

4.4 Each of the 4 work streams are detailed below with a summary of progress.

4.4.1 **Commercialism** – A Commercial Strategy for the council was approved by Cabinet on 9 October 2018. The strategy lays out how the council will focus on income generation and developing the culture of the organisation to become more commercial in all areas. The Head of Legal and Commercial Services is now leading the implementation of the strategy. Preliminary work has been undertaken to facilitate an efficient start to the project. This includes a staff survey to benchmark the organisational awareness of commerciality, a data capture exercise with team managers on our current fees and charges to inform the development of a new charging policy, identifying new ideas for revenue generation and beginning work on mapping out an organisational skills and knowledge programme. The first meeting of the project team will be held in December 2018.

4.4.2 **Phase 2 Organisational Restructures** – The phase 2 restructures followed on from the senior management restructure which was implemented in February 2018 and are led by The Chief Executive Head of HR and Organisational Development. Annual revenue savings across the organisation of £68k have been achieved, of which £36k related to General Fund and £32k the Housing Revenue Account (excluding the anticipated one off redundancy costs charged to the General Fund of £25k). Phase 2 restructures in other services, namely Customer Services and Cultural Services are due to be undertaken in the coming months.

4.4.3 **Savings** – All Team Managers of the council's corporate support services have formed a group led by the Head of Finance to review how each service area can flex to deliver savings against the target of £200k reduction in corporate costs that was committed as part of the decision to outsource the councils leisure centres. The have identified circa £100k of savings and have included these amounts in the 2019/20 budget. It is anticipated that annual savings of £200k will be achieved from 2020. A vacancy review process has been implemented for all corporate support services to allow for thorough review of vacancies arising with a view to minimise central support costs where possible. The Head of Finance and the Head of HR and Organisational Development and the Chief Executive will now continue to meet on a regular basis to monitor progress of savings achieved and further savings identified.

4.4.4 **Budget process** – the Head of Finance has led the council in preparing the 2019/20 budget. The budget process has focussed on the delivery of savings via a Savings Challenge where each budget holder was challenged to deliver 2.5% savings on their net cost of service. The budget process delivered net savings of £633k across the General Fund which have been offset by cost pressures, service developments and increased staffing costs which have increased the budgeted net cost of service by circa £2.1m from £13.2m in 2018/19 to £14.7m in 2019/20. Savings achieved across the Housing Revenue Account have maintained the level of expenditure at the 2018/19 level, with the net operating expenditure for the year budgeted at £3.04m compared with £2.9m for 2018/19.

**Appendix A**

## GENERAL FUND MEDIUM TERM FINANCIAL PLAN – JULY 2018

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---|---|---|---|---|
| | **Budget** | **Budget** | **Budget** | **Budget** | **Budget** |
| | £000 | £000 | £000 | £000 | £000 |
| Base Budget | 13,204 | | | | |
| Indicative Base Budget (based on services assessment) | | 12,954 | 13,587 | 14,327 | 14,848 |
| Assumed Base Budget (5% increase year on year) | | | | | |
| **Total Budget before Savings/Surplus** | **13,204** | **12,954** | **13,587** | **14,327** | **14,848** |
| Transfer to reserves | | | | | |
| (Savings Required)/Surplus to Self-Sufficiency Reserve | 298 | 366 | (1,301) | (1,662) | (2,278) |
| **Total Final Expenditure Budget** | **13,503** | **13,320** | **12,286** | **12,665** | **12,570** |
| **Funding** | | | | | |
| Revenue Support Grant | 235 | 0 | 0 | 0 | 0 |
| Business Rates | 4,864 | 4,970 | 3,824 | 3,908 | 3,983 |
| New Homes Bonus | 2,905 | 2,896 | 2,987 | 3,197 | 2,941 |
| Council Tax | 5,210 | 5,305 | 5,400 | 5,497 | 5,596 |
| Council Tax Surplus | 289 | 150 | 75 | 63 | 50 |
| Other grants | | | | | |
| **Total Funding** | **13,503** | **13,320** | **12,286** | **12,665** | **12,570** |

**Appendix B**

**GENERAL FUND REVENUE PROECTIONS**
**KEY ASSUMPTIONS**

| | MTFS 2018 – 2023 Original Assumptions (February 2018) | MTFS 2018 – 2023 Revised Assumptions (June 2018) | MTFS 2019 – 2024 Assumptions (January 2019) |
|---|---|---|---|
| Base Budget 2018/19 | 1. As per 2018/19 draft budget. | 1. No change | 1. As per draft budget 2019/20 |
| Indicative Base Budget 2019/20 – 2022/23 | 2. Stabilisation of planning fees from 2018/19 at £1.2 million per annum<br>3. Stable car parking charges and income<br>4. Local Council Tax Reduction / Support Scheme grant to town and parish councils reducing by £25,000 (approximately 25%) each year over four years, and maintain Special Expenses at their current levels<br>5. Pay award in line with Local Government Pay Offer, with 3% built in for 2019/20 and 2% each year thereafter, pending a detailed redesign of the council's existing pay structure<br>6. Pensions and national insurance costs inflated at anticipated levels to 2023.<br>7. Non pay costs inflated from 2018/19 levels at 2.8% (CPI @ Sept 2017) to 2023<br>8. Collection fund surplus reduced from £289,000 in 2018/19 with incremental decreases year on year until 2022/23 where an assumption of £50,000 surplus is assumed.<br>9. Return on investments at | 2. No change<br>3. No change<br>4. No change<br>5. No change, pending review of the council's pay grading structure<br>6. No change<br>7. Adjustment to align with the governments forecasts for CPI as announced as part of the Spring Statement:<br>2019/20 – 1.8%<br>2020/21 – 2022/23 – 2%<br>8. No change<br>9. No change at present, but we are looking at reviewing the Treasury Management Strategy Statement with a view to increase the return we receive on investments.<br>10. No change<br>11. No change | 2. No change<br>3. No change<br>4. No change<br>5. Pay Award based on 2020/21 2%, 2021/22 – 2022-23 2.1%, 2023/24 2%<br>6. No change<br>7. 2020/21 2%, 2021/22 – 2022-23 2.1%, 2023/24 2%<br>8. No change<br>9. No change<br>10. No change<br>11. That the council saves £100k in corporate overheads in 2019/20 and £200k from 2020/21 and saves £25k in year 1 based on the net position of the new leisure outsourcing arrangement.<br>Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21 based on the capital funding of the new facility. |

| | | | |
|---|---|---|---|
| | previously achieved performance level of 0.44%, with no additional targets included for commercial activity such as a Local Housing Company or investment into property funds<br>10. Apprenticeship levy of 0.5%<br>11. That the council saves £200,000 in corporate overheads from 2019/20 and receives £250,000 income each year in a management fee on outsourcing it's leisure centres in March 2019. Additional interest and minimum revenue provision (repayment of internal debt) is also factored in from 2020/21. | | |
| Revenue Support Grant | 12. RSG is phased out in 2018/19 | 12. No change, although it should be noted that until the outcome of the Fair Funding review is known, negative RSG is absorbed into the council's business rate baseline funding level, reducing the council's funding position by:<br>• 2019/20: nil<br>• 2020/21: -£210k<br>• 2021/22: -£270k<br>• 2022/23: -£320k | 12. No change |
| Business Rates | 13. Full business rate baseline reset in 2020/21 at the 2018/19 level of business rates collected, with no transitionary measures upon implementation of the Fair Funding Review<br>14. 75% Business Rate Retention system implemented in 2020/21<br>15. Tariff on business rates income in line with Government announcement in respect of | 13. No change<br>14. No change<br>15. Tariff payable reviewed and error corrected from 2019/20. | 13. Partial Business Rates Baseline reset in 2020/21 at the 2018/19 level of business rates collected with transition payments assumed so that the council's net funding doesn't reduce below 5%.<br>14. No change<br>15. No change. |

| | | | |
|---|---|---|---|
| | 2018/19. 2019/20 and beyond assumed at anticipated level before the announcement in respect of 2018/19. These projections will be updated once firmer detail is understood. | | |
| New Homes Bonus | 16. That our reliance on New Homes Bonus as part of our core budget will be reduced by 25% by 2023 after it has funded regeneration activities and services, phased in incrementally at 6.25% per year over four years from 2019/20. | 16. No change | 16. That New Homes Bonus funding is removed from 2020/21 but that legacy payments continue and reduce to NIL by 2023/24. |
| Council Tax | 17. Council tax assumed at 0% increase to the council tax base per annum<br>18. Estimates of council tax base increase of 1.8% every year (broadly 600 homes each year) which impacts on council tax base and NHB. Note that the average increase since 2014 has been in the region of 700 new homes per year. | 17. No change<br>18. No change<br><br>It is anticipated that a review of the discounts and exemptions offered by the council will deliver a future saving and this will be updated as part of the MTFS in December. | 17. 0% increase assumed for 2019/20. Default 2.99% increase assumed thereafter.<br>18. No change<br><br>NB – A report was presented to Cabinet in December which amended the current discounts offered on second homes and empty homes. This will marginally increase the council tax base and therefore the income collected. These assumptions have now been built into the calculations. |
| Council Tax Surplus | 19. Collection fund surplus reduced from £289,000 in 2018/19 with incremental decreases year on year until 2022/23 where a £50,000 surplus is assumed | 19.No change | 19. £90k surplus for 2019/20, assumed at £32k 2020/21 and to NIL from 2021/22. |
| Other | 20. That we will create a Self Sufficiency Reserve of £2.76 million from £900,000 of existing general fund reserves and the forecast 2017/18 surplus of £1.86 million and that surpluses generated in future years (as projected in section 7) will be paid | 20. No change (except to acknowledge that the self-sufficiency reserve now stands at £2.76m as anticipated in February 2018).<br>21. No change<br>22. No change | 20. No change<br>21. No change<br>22. No change |

| | | | |
|---|---|---|---|
| | into this reserve.<br>21. That we will maintain a minimum General Fund working balance will be maintained at the higher of £1.5 million or 10% of net expenditure to 2023<br>22. The General Fund Capital Programme is fully funded. | | |
| New | | | 23. Transitionary measures based on assumption that the council will not suffer a loss of total resources of more than 5% in any one year.<br><br>24. Minimum Revenue Provision policy revised in line with Statutory Guidance – impact to 2019/20 negligible, but increase in MRP for future years. |

Appendix C

## GENERAL FUND MEDIUM TERM FINANCIAL PLAN – REVISED PROJECTIONS

*Medium Term Financial Plan 2019 - 2024 (BASE)*

| | | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| | **2018/19** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
| | **Forecast Outturn @ P9** | **Budget** | **Budget** | **Budget** | **Budget** | **Budget** |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Base Budget | 12,605 | | | | | |
| Indicative Base Budget (based on services assessment) | | 14,725 | 13,683 | 14,757 | 15,045 | 15,358 |
| **Total Budget before Savings/Surplus** | **12,605** | **14,725** | **13,683** | **14,757** | **15,045** | **15,358** |
| Transfer to reserves | | | | | | |
| (Savings Required)/Surplus to Self-Sufficiency Reserve | 1,088 | 161 | 370 | (1,029) | (2,088) | (2,613) |
| **Total Final Expenditure Budget** | **13,693** | **14,886** | **14,053** | **13,727** | **12,957** | **12,746** |
| **Funding** | | | | | | |
| Revenue Support Grant | 235 | 0 | 0 | 0 | 0 | 0 |
| Business Rates | 5,055 | 6,387 | 6,167 | 6,286 | 6,396 | 6,498 |
| New Homes Bonus | 2,905 | 3,068 | 2,418 | 1,887 | 891 | 0 |
| Council Tax | 5,210 | 5,341 | 5,436 | 5,554 | 5,665 | 5,784 |
| Council Tax Surplus | 289 | 90 | 32 | 0 | 0 | 0 |
| Other grants | | | | | | |
| Damping | | | 0 | 0 | 5 | 464 |
| **Total Funding *** | **13,693** | **14,886** | **14,053** | **13,727** | **12,957** | **12,746** |

*** Subject to rounding**

**Appendix D**

## HRA BUSINESS PLAN MODEL PROJECTIONS – JULY 2018

| Year<br>£ Thousands | 2018.19<br>1 | 2019.20<br>2 | 2020.21<br>3 | 2021.22<br>4 | 2022.23<br>5 |
|---|---|---|---|---|---|
| **INCOME:** | | | | | |
| Rental income | 17,153 | 16,997 | 17,174 | 17,358 | 17,568 |
| Void losses | (136) | (172) | (173) | (175) | (177) |
| Service charges | 523 | 536 | 550 | 563 | 577 |
| Non-dwelling income | 93 | 42 | 21 | 22 | 22 |
| Grants and other income | 285 | 301 | 308 | 316 | 324 |
| **Total income** | **17,918** | **17,704** | **17,879** | **18,084** | **18,314** |
| **EXPENDITURE:** | | | | | |
| General management | (2,284) | (2,343) | (2,401) | (2,461) | (2,523) |
| Special management | (649) | (665) | (682) | (699) | (716) |
| Other management | 0 | 0 | 0 | 0 | 0 |
| Rent rebates | 0 | 0 | 0 | 0 | 0 |
| Bad debt provision | (98) | (100) | (101) | (102) | (104) |
| Responsive and cyclical repairs | (5,573) | (5,702) | (5,833) | (5,968) | (6,114) |
| **Total revenue expenditure** | **(8,604)** | **(8,810)** | **(9,018)** | **(9,231)** | **(9,457)** |
| Interest paid | (2,277) | (2,252) | (2,226) | (2,198) | (1,862) |
| Finance administration | (8) | (9) | (9) | (9) | (9) |
| Interest received | 84 | 141 | 252 | 204 | 116 |
| Depreciation | (3,103) | (3,146) | (3,116) | (3,088) | (3,065) |
| **Net operating income** | **4,009** | **3,628** | **3,762** | **3,763** | **4,039** |
| **APPROPRIATIONS:** | | | | | |
| FRS 17 / other HRA reserve adjustments | (2,906) | (2,500) | (2,608) | 16,266 | 0 |
| Revenue provision (HRACFR) | (1,103) | (1,128) | (1,154) | (14,180) | (1,206) |
| Revenue contribution to capital | 0 | 0 | 0 | 0 | (2,557) |
| **Total appropriations** | **(4,009)** | **(3,628)** | **(3,762)** | **2,086** | **(3,763)** |
| | | | | | |
| **ANNUAL CASHFLOW** | **0** | **(0)** | **0** | **5,849** | **275** |
| | | | | | |
| Opening balance | 1,000 | 1,000 | 1,000 | 1,000 | 6,849 |
| **Closing balance** | **1,000** | **1,000** | **1,000** | **6,849** | **7,125** |
| **Other HRA reserve balance** | 0 | 0 | 0 | 0 | 0 |
| **HRA debt repayment reserve** | 11,158 | 13,658 | 16,266 | 0 | 0 |
| **HRA new build reserve** | 0 | 0 | 0 | 0 | 0 |

**Appendix E**

## HOUSING REVENUE ACCOUNT PROJECTIONS
## KEY ASSUMPTIONS

| | MTFS 2018 – 2023 Original Assumptions (February 2018) | MTFS 2018 – 2023 Revised Assumptions (June 2018) | MTFS 2019 – 2024 Assumptions (November 2018) |
|---|---|---|---|
| Income (Rents) | 1. As per Government rent policy of 1% reduction to 2019/20 then CPI + 1%. CPI assumed at 1%<br>2. Rent loss performance on empty homes sustained at 1% for the life of the plan<br>3. Right to Buy sales projected to be between 43 and 30 every year.<br>4. 68 new homes added to the housing stock during 2018/19 at affordable rent levels | 1. No change<br>2. No change<br>3. Forward projections reflect economic forecast of CPI at 2% from 2020/21 onwards. 2017/18 outturn updated in respect of lower level of sales than anticipated. Additional 26 affordable homes added to stock list in 2017/18.<br>4. Assumed development of a further 2 new homes in 2019/20 | 1. No change<br>2. Rent loss performance on empty homes reduced to 0.8% for the life of the plan<br>3. Right to Buy sales projected to be 36 in 2019/20, 34 in 2020/21 and falling to 30 per annum thereafter<br>4. 39 new homes added to the housing stock during 2018/19 with an assumed development of a further 37 new homes in 2019/20 and 20 in 2020/21 at affordable rent levels |
| Base budget | 5. RPI increase on all costs (inclusive of staffing, supplies and services) at 2.5% per annum. | 5. Increase assumed to rise to 3.5% from 2021/22 onwards | 5. No change |

| | | | |
|---|---|---|---|
| Other | 6. Surplus balances on the HRA to be transferred to the loan redemption reserve to repay maturity loans<br>7. HRA Capital Programme is fully funded | 6. £13m requirement for repayment of loans in 2022 reached<br>7. No change | 6. To be applied up until 2022, and then no policy requirement to automatically build up a reserve to repay maturity loans after this date.<br>7. Whilst there is no requirement for an RCCO to balance the funding of the capital programme in 2019/20 a provision of £1.7m has been provided to fund the acquisition of affordable homes. This has been met from a surplus on the HRA revenue budget<br>8. The 30 year capital programme cost projections for the HRA have been revised from £177m to £186m. |

Appendix F

## HRA BUSINESS PLAN MODEL PROJECTIONS – REVISED

| Year<br>£'000 | 2019.20<br>1 | 2020.21<br>2 | 2021.22<br>3 | 2022.23<br>4 | 2023.24<br>5 |
|---|---|---|---|---|---|
| **INCOME:** | | | | | |
| Rental Income | 17,008 | 17,607 | 18,058 | 18,463 | 18,881 |
| Void Losses | 1 | -144 | -147 | -151 | -154 |
| Service Charges | 553 | 567 | 587 | 607 | 629 |
| Non-Dwelling Income | 86 | 82 | 79 | 75 | 73 |
| Grants & Other Income | 276 | 274 | 272 | 271 | 269 |
| **Total Income** | **17,925** | **18,386** | **18,848** | **19,266** | **19,697** |
| **EXPENDITURE:** | | | | | |
| General Management | -2,261 | -2,325 | -2,407 | -2,491 | -2,578 |
| Special Management | -710 | -727 | -753 | -779 | -806 |
| Other Management | 0 | 0 | 0 | 0 | 0 |
| Rent Rebates | 0 | 0 | 0 | 0 | 0 |
| Bad Debt Provision | -100 | -107 | -110 | -113 | -115 |
| Responsive & Cyclical Repairs | -5,315 | -5,446 | -5,627 | -5,814 | -6,030 |
| **Total Revenue Expenditure** | **-8,386** | **-8,604** | **-8,896** | **-9,197** | **-9,529** |
| Interest Paid | -2,252 | -2,227 | -2,198 | -1,862 | -1,835 |
| Finance Administration | -10 | -8 | -9 | -9 | -9 |
| Interest Received | 109 | 186 | 228 | 193 | 253 |
| Depreciation | -3,139 | -3,173 | -3,179 | -3,185 | -3,195 |
| **Net Operating Income** | **4,247** | **4,559** | **4,795** | **5,207** | **5,383** |
| **APPROPRIATIONS:** | | | | | |
| FRS 17 /Other HRA Reserve Adj | -1,389 | 0 | 12,990 | 0 | 0 |
| Revenue Provision (HRACFR) | -1,128 | -1,154 | -14,180 | -1,206 | -1,234 |
| Revenue Contribution to Capital | -1,700 | 0 | -100 | -616 | 0 |
| **Total Appropriations** | **-4,136** | **-1,154** | **-1,290** | **-1,823** | **-1,234** |
| | | | | | |
| **ANNUAL CASHFLOW** | **111** | **3,406** | **3,505** | **3,384** | **4,149** |
| | | | | | |
| Opening Balance | 1,000 | 1,111 | 4,517 | 8,022 | 11,406 |
| | | | | | |
| **Closing Balance** | **1,111** | **4,517** | **8,022** | **11,406** | **15,555** |
| | | | | | |
| **Other HRA Reserve Balance** | 0 | 0 | 0 | 0 | 0 |
| **HRA Debt Repayment Reserve** | 13,000 | 13,000 | 0 | 0 | 0 |
| **HRA New Build Reserve** | 0 | 0 | 0 | 0 | 0 |

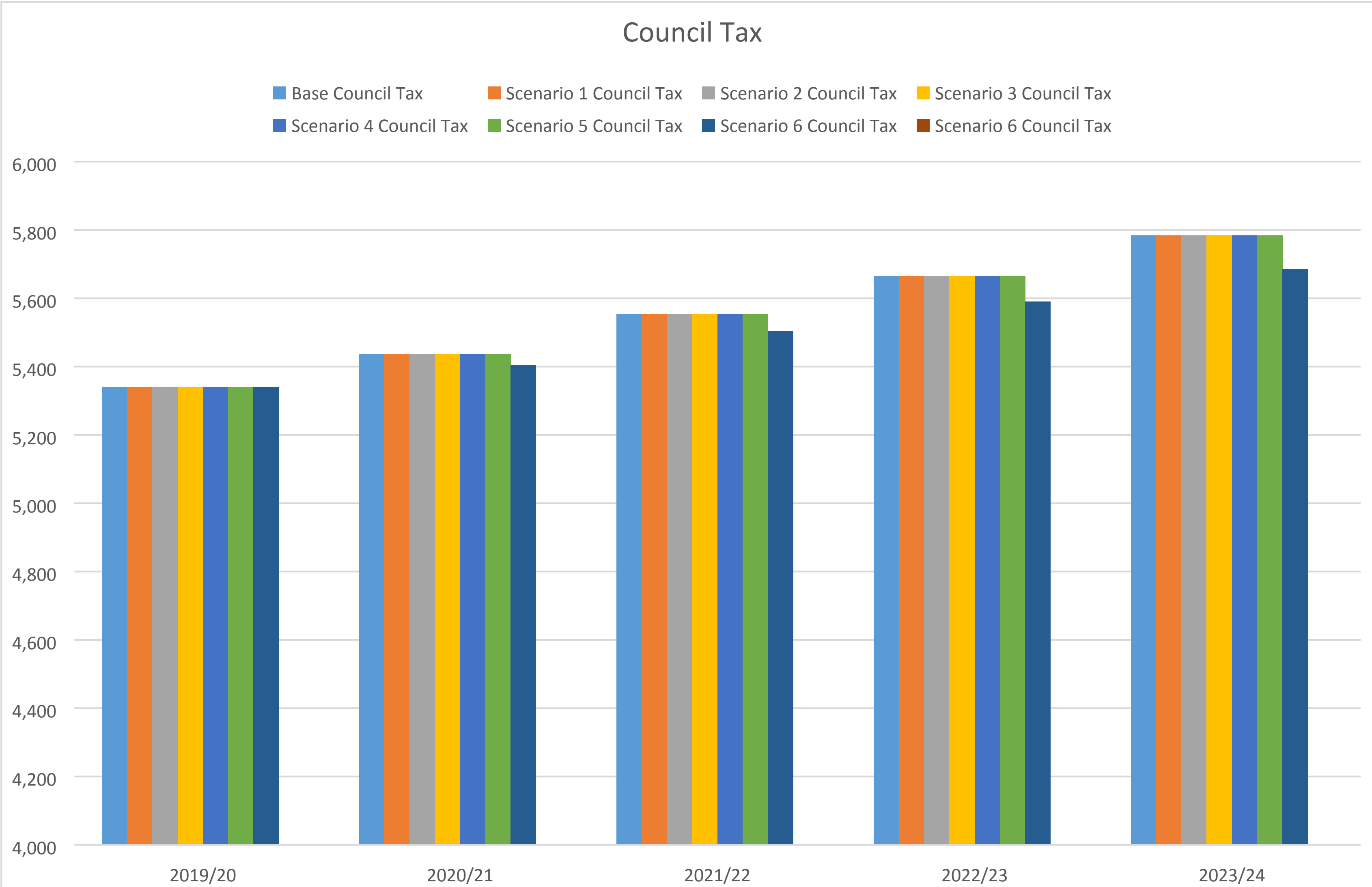
Appendix G

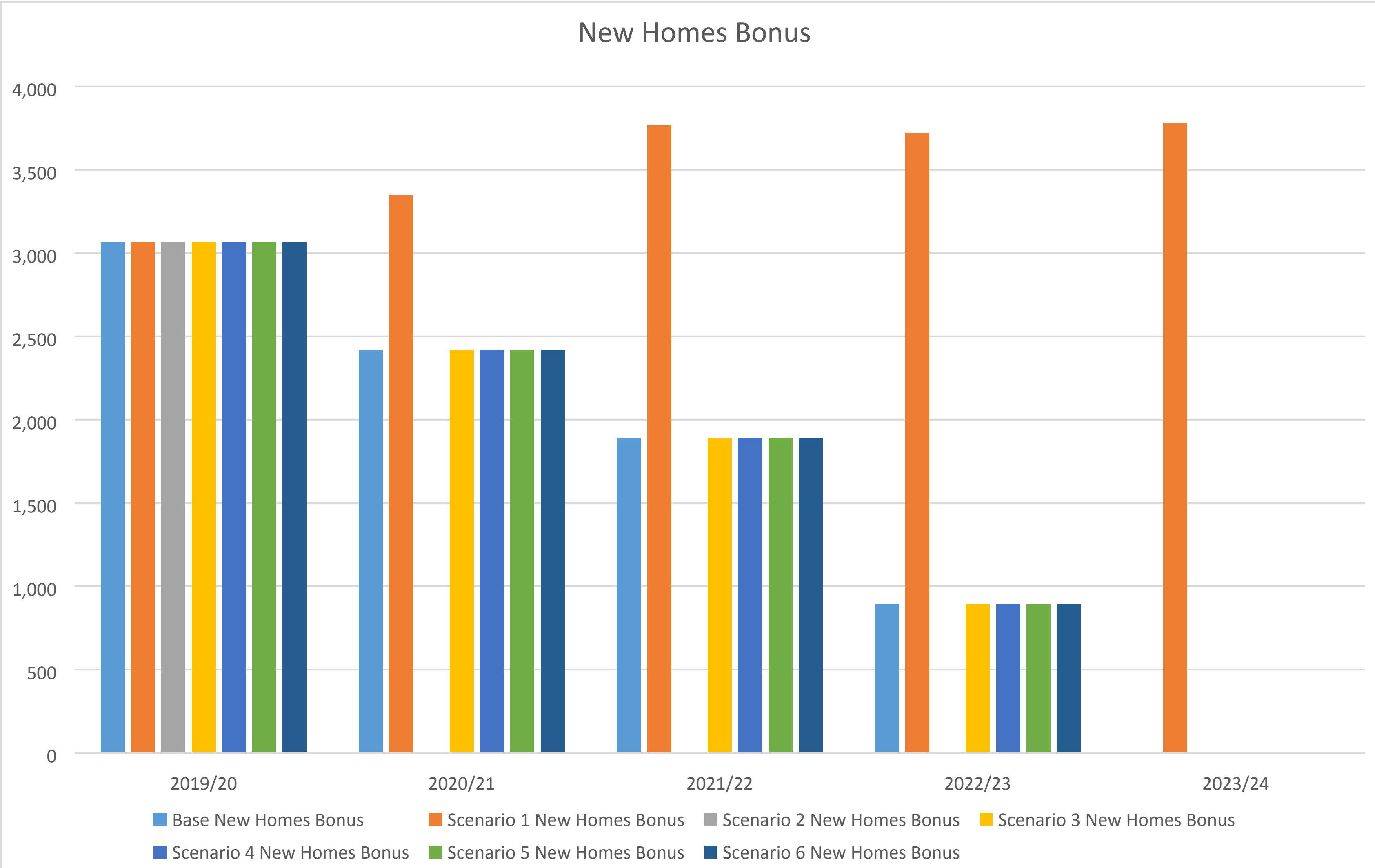
# GENERAL FUND MEDIUM TERM FINANCIAL PLAN 2019 – 2024
# FUNDING SCENARIO ANALYSIS

The charts below are intended to illustrate the isolated change in an assumption. The table below explains each scenario and the change in funding.

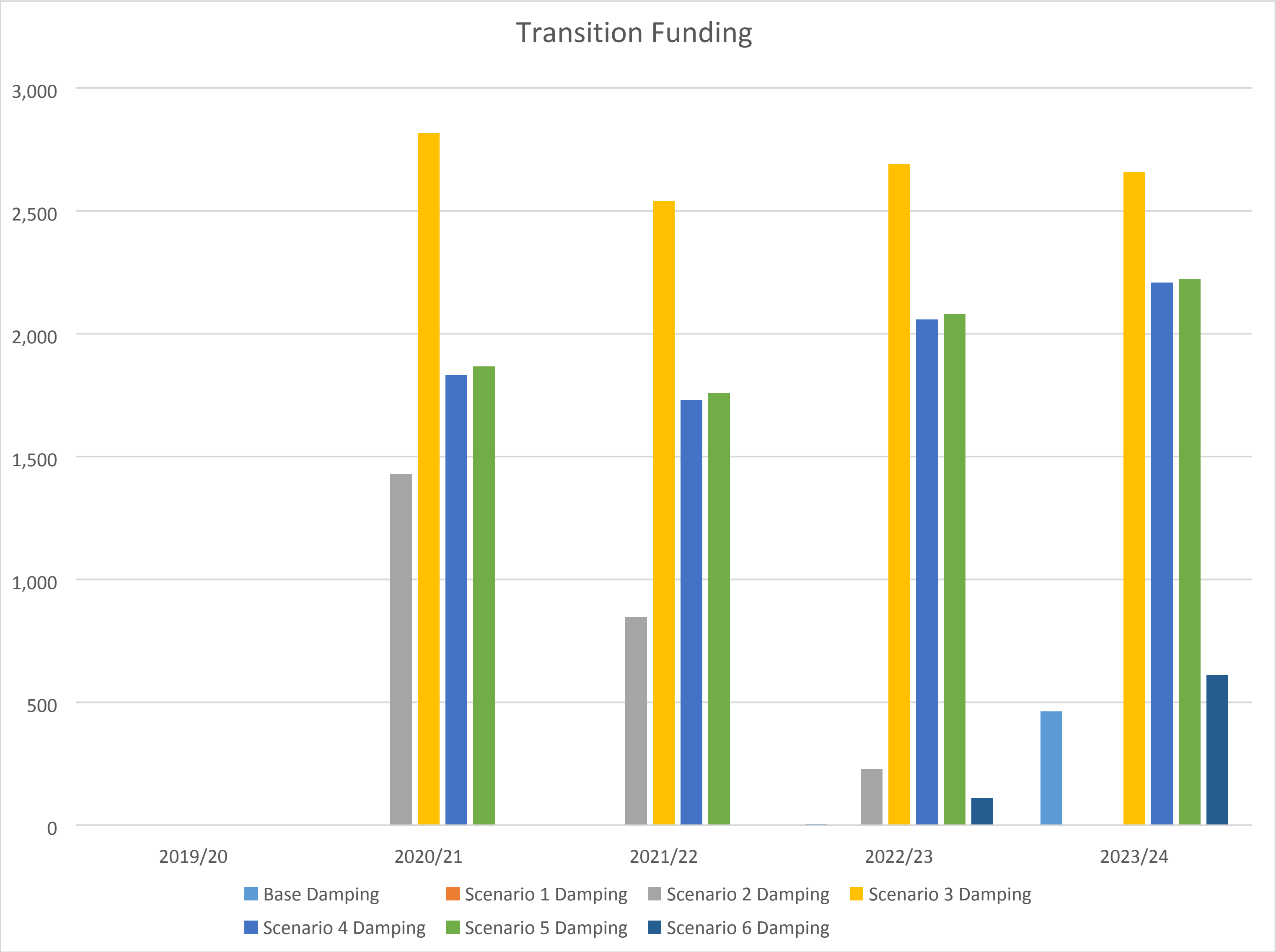
## Table 1 – Scenarios

| Ref | NHB | Business Rates | Council Tax | Transition |
|---|---|---|---|---|
| Base | 0.4% Baseline; Legacy payments from 2020 | Partial Baseline Reset in 2020 @ 2018/19 rates level | 0% precept to 2024, growth 600 homes p.a | Yes, assumed when funding reduces by more than 5% |
| 1 | Baseline remains at 0.4% and scheme continues as is | as per Base | as per Base | |
| 2 | Baseline increased to 0.4% and abolished from 2020 | as per Base | as per Base | |
| 3 | as per Base | Full reset in 2020 based on 19/20 rates level | as per Base | |
| 4 | as per Base | Full reset in 2020 based on 18/19 rates level | as per Base | |
| 5 | as per Base | Full reset in 2020 based on 17/18 rates level | as per Base | |
| 6 | as per Base | as per Base | 0% precept increase to 2024, growth deflated at 400 homes p.a. | |


Council Tax
Base Council Tax
Scenario 1 Council Tax
Scenario 2 Council Tax
Scenario 3 Council Tax
Scenario 4 Council Tax
Scenario 5 Council Tax
Scenario 6 Council Tax
Scenario 6 Council Tax
6,000
5,800
5,600
5,400
5,200
5,000
4,800
4,600
4,400
4,200
4,000
2019/20
2020/21
2021/22
2022/23
2023/24


New Homes Bonus
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base New Homes Bonus
Scenario 1 New Homes Bonus
Scenario 2 New Homes Bonus
Scenario 3 New Homes Bonus
Scenario 4 New Homes Bonus
Scenario 5 New Homes Bonus
Scenario 6 New Homes Bonus

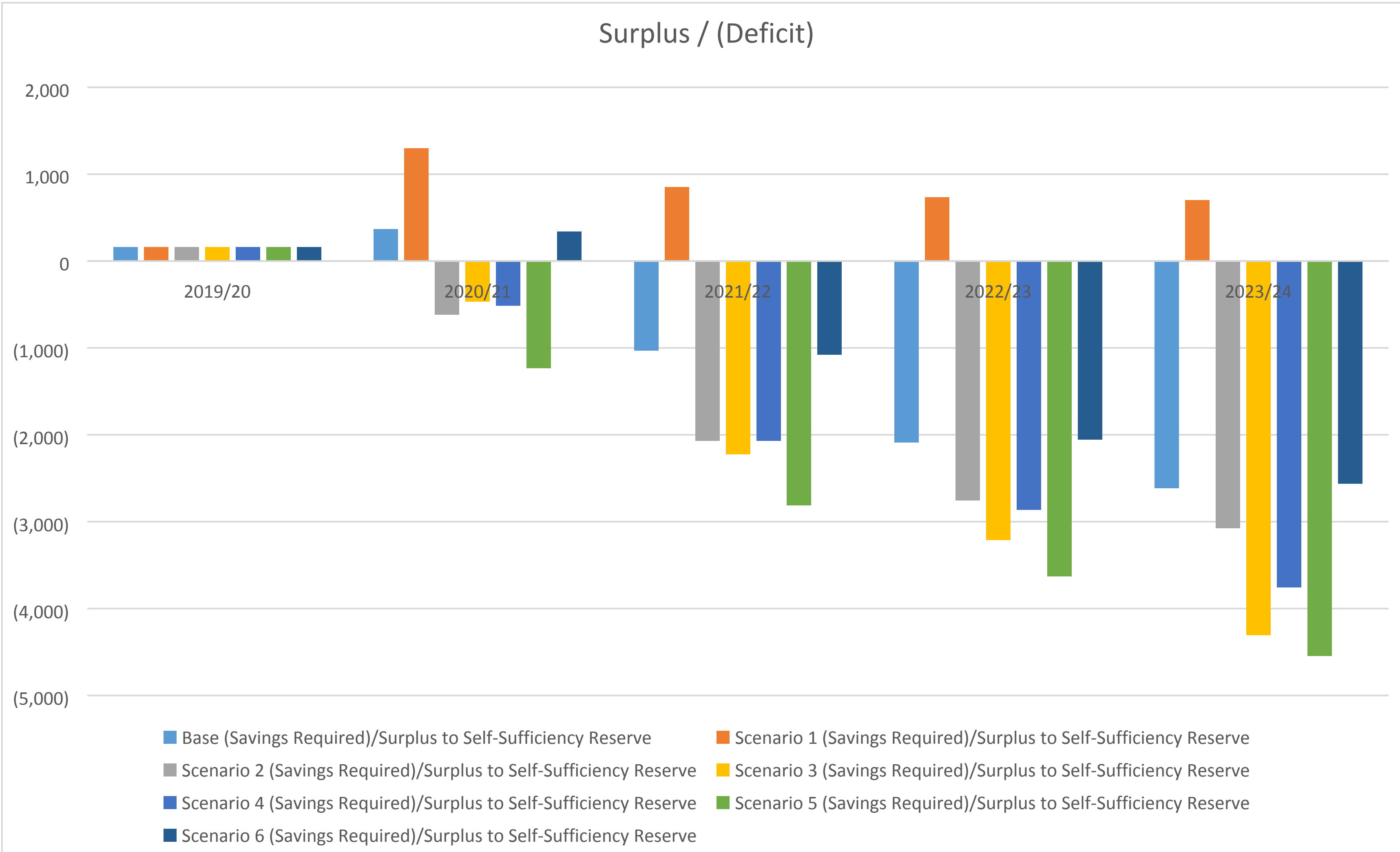

Business Rates
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Business Rates
Scenario 1 Business Rates
Scenario 2 Business Rates
Scenario 3 Business Rates
Scenario 4 Business Rates
Scenario 5 Business Rates
Scenario 6 Business Rates



Transition Funding
3,000
2,500
2,000
1,500
1,000
500
0
2019/20
2020/21
2021/22
2022/23
2023/24
Base Damping
Scenario 1 Damping
Scenario 2 Damping
Scenario 3 Damping
Scenario 4 Damping
Scenario 5 Damping
Scenario 6 Damping

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | **Total *** |
|---|---|---|---|---|---|---|
| Surplus/(Deficit) | 161 | 370 | - 1,029 | - 2,088 | - 2,613 | **- 5,199** |
| Scenario 1 | 161 | 1,301 | 851 | 737 | 703 | **3,753** |
| Scenario 2 | 161 | - 618 | - 2,069 | - 2,756 | - 3,076 | **- 8,359** |
| Scenario 3 | 161 | - 469 | - 2,223 | - 3,213 | - 4,308 | **- 10,052** |
| Scenario 4 | 161 | - 514 | - 2,071 | - 2,865 | - 3,758 | **- 9,047** |
| Scenario 5 | 161 | - 1,234 | - 2,814 | - 3,630 | - 4,545 | **- 12,062** |
| Scenario 6 | 161 | 338 | - 1,078 | - 2,058 | - 2,562 | **- 5,199** |

* Subject to Rounding



Surplus / (Deficit)
2,000
1,000
0
(1,000)
(2,000)
(3,000)
(4,000)
(5,000)
2019/20
2020/21
2021/22
2022/23
2023/24
Base (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 1 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 2 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 3 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 4 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 5 (Savings Required)/Surplus to Self-Sufficiency Reserve
Scenario 6 (Savings Required)/Surplus to Self-Sufficiency Reserve